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SUBJECT: WASHINGTON STATE GOVERNOR SEEKS TRADE AND OTHER PARTNERSHIPS WITH NEW ZEALAND

Classified By: Principal Officer, Siria Lopez, Reason 1.4 (D).

(U) This cable originated from American Consulate General Auckland.

1. (C) Summary: Washington State Governor Christine Gregoire used an official visit to Auckland on May 12 to invite partnerships with New Zealand in the areas of science, technology, agriculture and energy. In a speech to the American Chamber of Commerce, she also encouraged increased agricultural trade by stressing the potential complementary nature of Washington State and New Zealand fruit and vegetable exports. Trade Minister Goff, who also spoke to the Chamber, echoed the theme of mutual interests and called for a bilateral Free Trade Agreement. In a meeting later in the day, the Governor asked Prime Minister Clark about New Zealand's experience with the Kyoto Protocol. The PM confessed that initial predictions New Zealand would have excess carbon sink credits had proven wrong. It now faced an "expensive problem" during the first protocol commitment period. The Governor and Conservation Minister Carter covered experiences with immigration and the environment. End Summary.

AmCham Lunch Highlights: The Governor and Trade Minister

2. (U) Speaking in Auckland at a May 12 AmCham lunch that was attended by New Zealand Ministers Phil Goff and Chris Carter, Washington Governor Gregoire highlighted the many similarities between her state and New Zealand. Both Washington and New Zealand, she said, were known for apples, wine, and beef, and both had the same economic philosophies: investing in infrastructure and 21st century technology and taking advantage of globalization. The Governor called for increased educational exchange, a priority for Washington State. She also suggested that New Zealand and Washington synergize their knowledge and efforts in developing, building, and exporting high-tech ferries to provide an environmentally friendly solution to transportation woes around the world.

3. (U) Washington, the Governor noted, depended on foreign trade, making it "the most trade-dependent state in the Union." She highlighted her state's international trade by citing the recent visit by Chinese President Hu Jintao and his \$1.2 billion worth of purchases in Washington, and Mexican President Vicente Fox's upcoming visit to Olympia. The Governor went on to observe that the Southern Hemisphere's reverse seasonal climate provided Washington and New Zealand an ideal opportunity to trade in agricultural products -- "we can have the finest cherries and asparagus year-round." Rather than compete, the two exporters' wine and beef products could complement each other in variety and taste. And, while Washington and New Zealand's eco-tourism industries mirrored each other with their greenery, volcanoes, and water/island features, Washington also offered Kiwi travelers a diverse landscape, including desert.

4. (U) The final thrust of Governor Gregoire's speech focused on potential partnerships in biotechnology, agricultural science, and energy. The Governor had asked her state legislature to invest \$350 million in biotechnology that in collaboration with private funds like the Gates Foundation and with international partners could have great global benefits. The Governor invited New Zealand to join Washington "in global health and become leaders." She also called for Kiwi partnership in agriscience to provide safe, high quality food products worldwide. The Governor asked New Zealand to partner up in developing alternative forms of energy -- such as wind or bio-diesel -- to help end dependence on foreign oil, on which Washington spends \$25 million a day.

5. (U) In his luncheon remarks, NZ Minister of Trade and Defense Phil Goff acknowledged his country's many affinities with Washington State. He welcomed the Governor's call for

people-to-people ties, saying New Zealand welcomed summer work programs. He noted that Air New Zealand was set to purchase seven 777 and 787 planes from Washington-based Boeing. Goff said it was important to restart the bilateral dialogue, as the United States and New Zealand shared a common heritage and many family links. By beginning to look at our commonalities, Goff said, "we should move on a Free Trade Agreement that Boeing, NZ's Congressional caucus of 60-plus members, and now, Richard Armitage, support."

The Prime Minister and the Governor

16. (C) In her meeting with the Governor's delegation, Prime Minister Clark described New Zealand's efforts to improve child health care and early childhood education -- areas of focus in Washington as well.

17. (C/NOFORN) Following this discussion, the Governor asked about New Zealand's experience with the Kyoto Protocol. She explained that several U.S. states were deciding whether they should attempt to meet its requirements, notwithstanding the federal government's position. The PM replied that New Zealand had had "bad negotiators" in its 15 years of treaty negotiations. These negotiators had argued that animal emissions should be included in carbon counts, not realizing that animals in New Zealand accounted for 60 percent of greenhouse gas emissions. Initial predictions had been that New Zealand would be a net credit country from 2008-2012. But the New Zealand economy had taken off and experienced high rates of growth. Energy use had increased and so had levels of carbon dioxide. Unfortunately, forestry prices had "sunk and sunk" as the New Zealand dollar had grown stronger and stronger. There had been "a lot of deforestation of New Zealand exotic trees" as more and more land was turned into dairy pasturage. So what had originally qualified as a carbon sink was rapidly disappearing. As a result, the PM admitted, New Zealand faced "an expensive problem" for Kyoto's first commitment period.

18. (C/NOFORN) She continued that a proposal to impose a carbon tax on petrol had been shelved, despite strong support in Parliament. But the rise in oil prices had been, in effect, a carbon charge. The PM commented that a carbon tax on petrol would not have been "terribly sensible" given high oil prices. Even so, because of the price rise, Kiwis were abandoning their cars and switching to public transport. Although the U.S. had not ratified Kyoto, the Prime Minister said "everyone had been encouraged" by President Bush's State of the Union statement that the U.S. needed to get over its addiction to foreign oil.

19. (C) The Governor then informed the Prime Minister of Washington's efforts to find alternative sources of energy, including biofuels. During this discussion, the Director of Washington's Department of Agriculture, Valoria Loveland, briefed the Prime Minister on Washington farmers' experience with anaerobic digesters. This simple, clean technology allowed farmers to produce energy and quality fertilizer. Farmers were even able to sell excess energy to local utilities. Thinking that anaerobic digesters could be used in New Zealand, Director Loveland offered to send the PM more information, an offer that was accepted. With particular reference to beef cattle, Director Loveland also expressed interest in sharing research on animal identification, animal health, and growth techniques, among other areas. She referred to side discussions on the subject held that day with New Zealand experts.

110. (C) Transportation issues were another meeting highlight. Ambassador McCormick pointed out the similarities of traffic issues in Washington and Auckland. Both were confronted by numerous, outlying suburbs. The big challenge was to get people out of their cars and into public transport. The Ambassador described an effort in San Francisco that, despite high hopes, had not succeeded. Like New Zealand, Washington also had a problem in transporting people by ferry. The Governor recalled that when she had been Attorney General, the state had been sued successfully for damage to the Puget Sound shore lane caused by a ferry. Realizing the importance of research, and taking advantage of their visit, the Governor's delegation had had discussions with potential New Zealand partners on a solution to this problem. It was hoped that the two sides could come up with new ferry technology by next year. If viable, the collaboration could result in a successful future partnership.

111. (C) The meeting with the Prime Minister ended with her reply to a question on the New Zealand film industry, including the use of incentives to entice international films to New Zealand. Except for the movie's priceless publicity, the PM noted that the GoNZ had paid out more to the "Lord of the Rings" producers than the production had brought into the economy.

Meeting with Minister Carter

12. (SBU) Earlier in the day, Governor Gregoire met with Chris Carter, New Zealand Minister of Conservation, Housing and Ethnic Affairs. The meeting largely focused on areas of mutual concern -- immigration and conservation. The principals discussed the impact of immigrants on the two societies. Carter said PM Clark's approach was to enhance cultural understanding to help fuse immigrants with New Zealand's established communities. He cited a NZ\$6 million trust fund for enhancing Chinese culture and the celebration of Chinese, Indian and Muslim holidays in Parliament as examples of the Kiwi approach. The U.S. immigration issue, said Gregoire, was currently focused on illegal aliens and the important role they played in agriculture. President Bush, as an ex-governor of a border state, understood the complexities of illegal immigrants -- they formed the backbone of agriculture and services, yet violated U.S. law. The U.S. needed a guest worker program, and border state governors understood this. The challenge, she noted, was for the Congress to understand.

13. (U) On conservation, Carter commented that the key to environmental success was an effective sell, such as pitching biodiversity as a boon for tourism, recreation and economic activities. There had been a groundswell of community interest in volunteer conservation groups and a willingness by business to fund conservation efforts. In turn, the Governor cited a study that found environment and quality of life as the top two reasons businesses were coming to Washington. The state's timber industry had been at an initial disadvantage when implementing conservation measures, but now it was ahead of other sectors because it already had the state's best practices. Carter noted that New Zealand had negotiated a worker exchange with the California, Italian, Argentinean, and Chilean park services. He and the Governor agreed to explore a similar scheme with Washington State. The meeting also touched on the participation of Maori in conservation policy, the US-New Zealand relationship, and a recap of the governor's call for greater trade and cooperation on scientific research.

14. (C) Comment: Although her visit to New Zealand was at Governor Gregoire's initiative, the GoNZ took advantage of it to lobby for trade and other benefits at the sub-federal level. A meeting arranged by the Ministry of Foreign Affairs and Trade with the Auckland-based biopharmaceutical company Protomix was intended to further such interests. No doubt, the Governor's call for increased agricultural trade, science and technology collaboration, and people-to-people links was music to GoNZ ears. As Minister Goff noted, enhanced cooperation could help build the case for a Free Trade Agreement with the United States. End Comment.

15. (U) Note: The Governor did not clear this message before her departure from New Zealand.
McCormick